

UNITED STORES CORPORATION

605 BROAD STREET

NEWARK, N.J.

JULY 24, 1936.

To the Stockholders of
UNITED STORES CORPORATION.

There is presented herewith, Balance Sheet of United Stores Corporation as at July 15, 1936. This statement, showing the Corporation's investments in McCrory Stores Corporation, is being forwarded to you at this time in accordance with the letter accompanying the annual report of the Corporation for the year 1935.

Price, Waterhouse & Company made their annual examination of the Corporation's books and accounts as at December 31, 1935. The accompanying Balance Sheet was prepared by them from the Corporation's books but without verification.

By order of the Board of Directors,

GEORGE K. MORROW,
Chairman.

UNITED STORES

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks	\$1,755,375.45
Notes receivable and accrued interest thereon	51,258.75
Account receivable	26,112.38

\$ 1,832,746.58

OFFICE FURNITURE AND FIXTURES, at nominal value 1.00

INVESTMENTS:

After write-down authorized by the Board of Directors as at May 31, 1933:

Tobacco Products Corporation of Delaware (see Note 1)—

20,792.2529 shares of capital stock (63.02% of total outstanding)	\$ 623,326.83
(20,263.2529 shares as valued by the Board of Directors in 1933 at approximate book value of \$30 per share and 529 shares subsequently purchased at average cost of \$29.17 per share)	

At cost, including fees and charges in connection with acquisition:

McLellan Stores Company (see Note 2)—

8,322 shares 6% preferred stock, cumulative, convertible, \$100 par value (27.74% of total outstanding)	} 4,521,080.39
380,097 shares common stock, \$1 par value (51.84% of total outstanding)	

McCrary Stores Corporation (see Note 2)—

18,500 shares convertible 6% cumulative preferred stock, \$100 par value (37% of total outstanding)	} 4,615,360.25
341,538 shares common stock, \$1 par value (34.59% of total outstanding)	

9,759,767.47

NOTE 1—The company's investment in Tobacco Products Corporation of Delaware is carried at the approximate book value of the assets of that company and its subsidiary, Tobacco Products Corporation of New Jersey. The value of the investment is contingent upon the liability for any taxes which may be payable upon \$36,286,128.85 received by the New Jersey company from The American Tobacco Company in commutation of a lease in January, 1935. The amount of, and persons liable for payment of, any such taxes have not been determined, but in the opinion of counsel, United Stores Corporation is not liable therefor.

NOTE 2—Quoted market values at July 15, 1936:

McLellan Stores Company	
6% preferred stock	102½
Common stock	13¾
McCrary Stores Corporation	
6% preferred stock	99
Common stock	15½

\$11,592,515.05

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—JULY 15, 1936

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 75,000.00	
Unclaimed dividends	2,981.86	
Provision for taxes (see Note 3)	36,381.00	
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		\$ 114,362.86

CAPITAL STOCK AND SURPLUS:

Capital Stock:

\$6 cumulative convertible preferred stock, without par value, preferred over Class A and common as to \$115 per share plus accrued dividends on dissolution—

Authorized—101,800 shares

Outstanding—101,495 shares at stated capital of \$2,537,375.00

NOTE—Preferred dividends have accumulated since August 15, 1929 less \$18.1875 per share paid on account. The arrears at July 15, 1936 amount to \$22.3125 per share totaling \$2,264,607.19.

Class A stock without par value, convertible, preferred over common as to \$4.20 per annum non-cumulative and as to \$75 per share on dissolution—

Authorized—918,000 shares

Outstanding—915,979* shares at stated capital of 4,579,895.00

Common stock without par value—

Authorized—2,090,200 shares including 1,576,958½ shares reserved for conversion of preferred and Class A stocks

Outstanding, less in treasury—504,233* shares at stated capital of 252,116.50

*Including shares exchangeable for outstanding certificates of deposit.

Surplus (see Note 4) 4,108,765.69

11,478,152.19

NOTE 3—The company's Federal income tax returns for the years subsequent to 1931 are subject to final review by the Department of Internal Revenue with particular reference to the cost basis of securities sold.

NOTE 4—No provision has been made in the above balance sheet for Federal income, capital stock, excess profits taxes or tax on undistributed profits, for the year 1936.

\$11,592,515.05

OFFICERS

GEORGE K. MORROW, *Chairman of the Board*

ROBERT W. JAMESON, *President*

RANDOLPH CATLIN, *First Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

RANDOLPH CATLIN

GEORGE K. MORROW

WILBUR L. CUMMINGS

H. HOBART PORTER

ROBERT W. JAMESON

WALTER B. RYAN, JR.

THOMAS H. MCINNERNEY

EUGENE W. STETSON